CT Community Providers Association
Caring for Connecticut

To: **Members of the Appropriations Committee**

From: **Morna Murray, President and CEO**

Re: **Appropriations Committee Budget Hearings on HB-5030,**
An Act Making Adjustments to State Expenditures for the Fiscal year Ending June 30, 2015

Date: **February 18, 2014**

Good afternoon Senator Bye, Representative Walker, and members of the Appropriations Committee. My name is Morna Murray and I am the President and CEO of the Connecticut Community Providers Association (CCPA). CCPA represents community-based organizations that provide health and human services for children, adults, and families in multiple areas, including mental health, substance use disorders, and developmental disabilities. Our members serve more than 500,000 people each year.

I am here today to speak on Governor Malloy's proposed midterm budget – specifically, the budgets for the Department of Developmental Disabilities (DDS) and the Department of Mental Health and Addiction Services (DMHAS).

First, I would like to thank the Governor for sparing community providers from any additional cuts in this midterm budget. However, CCPA has concerns regarding particular budget provisions, as well as the fact that the midterm budget does not reverse severe cuts made to health and human services in the 2014-15 biennial budget.

DDS has had severe cuts, forced to lapse nearly $30 million in grant programs alone in FYs 2012 and 2013. The two grant lines hit hardest (together, lapsed over $25 million) – Employment Opportunities & Day Services (16108) and Residential Services (16122) - fund the work of community providers who have felt, deeply, the impact of the lapses in their services to Connecticut's most vulnerable citizens. Due to significant rate cuts and other reductions in state funding, providers are eliminating programs, scaling back services, and in some instances, closing their doors altogether.

Although the legislature approved a new biennial budget that increased these lines, **providers are not seeing a restoration of these cuts to rates and other funding.** This is because increases to these grant programs have been made primarily to fund incoming individuals from the state educational system, including residential schools. Therefore, providers are being asked to serve more and more individuals at ever-decreasing rates of reimbursement.

The increase in funding in the FY 14-15 biennial budget also fails to serve the thousands of under-served families in the state, who are rightfully incensed and alarmed at what they see as being "completely on their own" in caring for their loved ones. Though DDS no longer keeps an official waiting list for residential placements, FOIA requests show it to be more than 3,000 Connecticut citizens with disabilities. Despite their pleas to the state, these individuals will not receive residential placements until they are deemed an "emergency," most typically, when their parents pass away.

The network of community providers has the capacity to meet the needs of all of these individuals with disabilities, but they must be reimbursed at a rate that will support the high quality services that they offer and allows them to keep their doors open. Providers are committed to ensuring a high quality of life for the individuals they serve, including the establishment of ongoing safety measures that meet DDS regulations. However, as the Department drives toward lower rates for services, providers are finding it impossible to take on new consumers while maintaining these standards.

Taking out bottom line increases made to accommodate incoming individuals from placements such as residential schools, the cuts made in FYs 12 and 13, and maintained in the FY 14-15 biennial budget, to the lines funding community providers have had a negative impact on provider rates. The impact is implemented differentially based on each provider's reimbursement rate, and how it relates to a new single rate toward which DDS is driving in its rebalancing efforts. This new rate system has been primarily developed as answer to budget cuts, rather than to the actual cost of service, and serves as the foundation for the differential implementation of rate cuts. One example of this is the FY 13 rescission/mitigation reductions, which hit the so-called "above the rate" providers with as much as a 2.5% reduction in rates across the board. Although "below the rate" providers did not experience a rate cut, they were also not given a promised increase to bring them up to the new single rate. These funding reductions occur as DDS moves to change the delivery system, particularly on the residential side. Providers are being forced to close smaller group home settings – an approach not in keeping with fiscal responsibility, quality of life, **or the accurate definition of "community," as recently defined by the Centers for Medicare and Medicaid Services (CMS).** And, I would add, as defined by parents and family members. Keeping an individual with disabilities at home with their parents until the natural end of their parents' lives is **not** "living a community-integrated life."

While there is a proposed midterm budget increase of just over $1 million to the Employment Opportunities and Day Services line, **providers experienced rate cuts due to over $11 million in forced lapses in the last biennium, which have not been restored.** In addition, there are no proposed midterm increases to the Residential Services line, which saw more than $18 million in forced lapses. Cuts must be restored to the DDS budget to allow providers to offer a menu of service options that will meet the needs of all individuals with disabilities in the state.

DMHAS is also facing severe and dangerous cuts, particularly to the lines for Mental Health and Substance Abuse grants. As you are aware, the Department of Social Services (DSS) has authority over Medicaid. As such, the actions of DSS are inexorably linked to DMHAS and DDS with respect to their budgets, projected clients, anticipated needs for services, and consumers covered under Medicaid. With the implementation of the Affordable Care Act and corresponding expansion of Medicaid, DSS has made certain assumptions about the expected enrollment of Medicaid eligible citizens into the program and their utilization of certain services. These assumptions by DSS have resulted in **a total cut of $25.5 million from the DMHAS mental health and substance abuse state grants, which we urge the legislature to restore** (for more detailed information regarding these cuts, please refer to the attached table).

The assumption is that DMHAS grant funds are no longer necessary since previously uninsured individuals are now eligible for and will enroll in Medicaid. However, these assumptions beg certain questions:

1. How specifically was the calculation of $25.5 million made?
2. How do we know that the projected Medicaid-eligible consumers will actually enroll?
3. How will community providers be reimbursed for the cost of care if they continue to have clients who are uninsured, which will most certainly happen? The time needed for full enrollment in a state like Massachusetts was 3-5 years; Connecticut plans to transition in one.

Our concerns regarding cuts to DMHAS grants are compounded by the fact that **current Medicaid rates for mental health and substance use services are neither adequate nor comprehensive enough to cover the true cost of care.** As just one example, coordination of care is not reimbursable under Medicaid in our state; however, this service is critical to the care of any consumer and the cornerstone of our state Health Homes and Health Neighborhoods pilot projects. Rates must be reconfigured to cover everything that is required for consumers to be adequately treated so that they can make genuine progress, recover, and lead productive lives.

During the last legislative session, PA 13-7 was passed, which called for recommendations about the adequacy of Medicaid network and rates. I was honored to be a member of the working group and I highly commend Representatives Ritter and Abercrombie for leading a very rigorous and comprehensive process within a very short timeframe. The legislature can expect to receive our final report shortly. CCPA is extremely concerned that while excellent recommendations have been made with respect to the inadequacy of Medicaid rates and other factors, **we are currently implementing budget changes that presume these problems have been fixed. They have not.**

Since Medicaid is an entitlement program, rates are the only limits the state has over spending. The expansion of clients from increased Medicaid eligibility, the continued needs of consumers who remain uninsured, severely inadequate Medicaid rates – these are all a recipe for destabilizing the system of care that Connecticut has so carefully built. It is exceedingly fragile now, with 2 decades of flat funding and spending cuts to health and human service providers. **If children and families cannot be served by community providers, they will end up in emergency departments or worse, jail. These are disproportionately and enormously expensive alternatives.** They are also, in plain terms, tragic – since far less expensive and better treatment is readily available if the state simply chooses to cover the cost of care.

For your information and reference, a table detailing agency lapses and relevant budget lines is included as an attachment.

Thank you very much for your time and consideration. I would be happy to answer any questions you may have or provide any additional information.

Department of Mental Health and Addiction Services	FY12 Actual Expenditures	FY13 Actual Expenditures	Difference	FY14 Appropriated	Difference	FY15 Governor's Recommended	Difference
Substance Abuse	24,897,766	24,929,500	31,734	20,605,434	(4,324,066)	17,567,934	(3,037,500)
Mental Health Services	83,763,716	76,475,893	(7,287,823)	66,134,714	(10,341,179)	58,909,714	(7,225,000)
Total	$ **108,661,482**	$ **101,405,393**	$ **(7,256,089)**	$ **86,740,148**	$ **(14,665,245)**	$ **76,477,648**	$ **(10,262,500)**
Expenditure Reductions Related to the Expansion of Medicaid (MCLIP/ACA)							
Substance Abuse					(4,537,500)		(7,575,000)
Mental Health Services					(10,725,000)		(17,950,000)
Total					$ **(15,262,500)**		$ **(25,525,000)**
Difference from Governor Recommended					$ ***5,787,500***		$ ***16,575,000***

Department of Developmental Disabilities: Major Grant Programs	FY12 Actual Expenditures	FY13 Actual Expenditures	Difference	FY14 Appropriated	Difference	FY15 Governor's Recommended	Difference
12101 - Cooperative Placement Grants	21,928,521	21,771,308	-157,213	23,088,551	1,317,243	24,079,717	991,166
12192 - Early Intervention	36,288,242	35,358,370	-929,872	37,286,804	1,928,434	37,286,804	-
12493 - Voluntary Services	29,308,752	30,917,713	1,608,961	32,376,869	1,459,156	32,719,305	342,436
16108 - Day Programs	181,276,587	193,834,053	12,557,466	212,763,749	18,929,696	224,345,696	11,581,947
16122 - Residential Services	419,447,218	423,873,582	4,426,364	435,201,326	11,327,744	453,647,020	18,445,694
Agency General Fund Total	$ **1,013,182,366**	$ **1,005,731,867**	$ **(7,450,499)**	$ **1,056,969,096**	$ **51,237,229**	$ **1,098,710,095**	$ **41,740,999**

Source: Connecticut State Budget: FY14& FY15, Office of Fiscal Analysis Budget Book, page 311

Department of Developmental Disabilities: Major Grant Programs Lapses From Original Appropriations	FY12 Lapse Expenditures	FY13 Lapse Expenditures	Two Year Lapse
12101 - Cooperative Placement Grants	-	(1,152,234)	(1,152,234)
12192 - Early Intervention	-	(1,153)	(1,153)
12493 - Voluntary Services	(1,947,982)	(464,194)	(2,412,176)
16108 - Day Programs	(5,297,879)	(6,010,245)	(11,308,124)
16122 - Residential Services	-	(13,985,786)	(13,985,786)
Grant Subtotal	***(7,245,861)***	***(21,613,612)***	***(28,859,473)***
Personal Services	**(24,620,644)**	**(5,029,646)**	**(29,650,290)**
Agency General Fund Total	$ **(34,639,817)**	$ **(35,091,138)**	$ **(69,730,955)**

FY12 and FY13 Expenditures Are From the Comprtoller's Annual Report (Expenditures are net of lapses)
FY14 Appropriation From The Comptroller's Trial Balance Nov. 1 2013
FY15 Governor's Recommended From The Governor's FY15 Midterm Budget Adjustments
MCLIP - Medical Coverage for Low Income Population (Medicaid)